2004 – 2005

Saskatchewan
Provincial Budget

Performance Plan

Minister's Message

It is my pleasure to present the performance plan for Saskatchewan Industry and Resources for 2004-05 and beyond.

Saskatchewan's economy remains strong in the face of a number of challenges for the Province. Despite such challenges as severe drought, mixed markets, a slowdown in the world economy, punitive tariffs on softwood lumber exports, and the impact of Bovine Spongiform Encephalopathy (BSE), Saskatchewan has made significant progress.

Growing strength in our oil and gas, mining and forestry sectors is helping us weather current difficulties in our primary agriculture sector and will help us to diversify in other sectors of the economy. Indicators for manufacturing shipments, retail sales, housing starts, and earnings are all healthy. The Province set a record for the number of oil and gas wells drilled in 2003 and major economic forecasters expect Saskatchewan to be among the nation's leaders in real Gross Domestic Product (GDP) growth over the next two years.

Saskatchewan Industry and Resources strives to carry out its programs efficiently and effectively to benefit the provincial economy. This is part of our commitment to complete the key actions identified in our performance plan and to report on the Department's progress to the people of Saskatchewan, in July 2005.

Eric Cline, Q.C.
Minister of Industry and Resources

104-05160/

Who We Are

Saskatchewan Industry and Resources (SIR) was formed effective April 1, 2002 through the amalgamation of the former Departments of Economic and Co-operative Development and Energy and Mines. The mandate of the Department is:

"To achieve full and responsible development of Saskatchewan's energy, mineral, and forestry resources; to work with businesses and co-operatives to expand the Saskatchewan economy by promoting, co-ordinating and implementing policies, strategies and programs that encourage sustainable economic growth and to optimize revenues to fund Government programs and services."

INDUSTRY, BUSINESS, AND SECTOR DEVELOPMENT

- Industry and business development functions support business growth and retention through investment attraction, efforts to increase competitiveness, and the removal of regulatory and other impediments.
- Regional economic development counsel and advice supports businesses and co-operatives through regional offices.
- Strategic initiatives are pursued in high priority projects such as the Canadian Light Source Synchrotron, forest product development, support to the Saskatchewan Forest Centre, and in ethanol and agri-value initiatives.

INVESTMENT PROGRAMS

- Investment programs are managed and maintained through the Strategic Investment Fund, Economic Partnership Agreements, Small Business Loans Associations, Petroleum Research Initiative, Technology Commercialization, and the Labour-sponsored Venture Capital Corporation Program.

MARKETING AND PROMOTION

- Marketing and corporate services supports strategic communication initiatives (such as *Our Future is Wide Open*), human resources functions, budget planning and preparations as well as information technology management and support to the Department.

RESOURCE AND ECONOMIC POLICY

- Resource and economic policy monitors economic and market trends, policies, legislation and impacts on industry performance, and provides analysis and recommendations on issues such as royalty/tax systems and climate change.

NATURAL RESOURCE MANAGEMENT AND DEVELOPMENT

- Energy planning and development encourages responsible development, use and conservation of energy resources.
- Resource development stimulates optimal development of oil, gas and mineral resources and administers Crown mineral rights.
- Resource regulation and revenue collection sees to the timely and full collection of revenues to the Province and ensures activities meet with environmental and regulatory obligations.

Plan at a Glance

This is the second occasion for SIR to release a public performance plan. The plan described on the following pages is a work in progress that will evolve to provide future operational direction for the Department. While the objectives and measures may change in the next version of the plan, the activities intended to be performed in 2004-05 are outlined on the following pages and will be reported upon in the 2004-05 Annual Report.

The goals and objectives outline the outcomes the Department is working toward as a result of the amalgamation of the former Departments of Economic and Co-operative Development and Energy and Mines. It does not set out a dramatic change in direction, rather a continuation of the majority of activities that had been undertaken in the Departments' former structures.

The Department has approximately 390 employees located in Regina and at eight regional industry development offices and six regional resource development offices. The Department regularly liaises with economic development associations and organizations in the Province's key resource sectors, the co-operative sector and the business community.

The Province's 28 Regional Economic Development Authorities (REDAs) as well as Neighbourhood Development Organizations (NDOs) receive limited funding from SIR for their operations. REDAs offer a co-ordinated, co-operative approach to economic development. Membership consists of communities, rural municipalities, businesses, co-operatives, and First Nations. Partners pool their resources to support job and wealth creation within their regions. The NDO program provides organizational development assistance to support the development and operation of multi-purpose organizations by the residents of low-income neighbourhoods, to undertake community economic development activities to address issues of poverty. There are four NDOs in Saskatchewan: Quint Development Corporation in Saskatoon, River Bank Development Corporation in Prince Albert, Community Action Co-operative (Regina) Ltd., and Connecting As Neighbours in Moose Jaw offer a co-ordinated, co-operative approach to provincial economic development.

The Department also provides annual transfer payments through its budget to Tourism Saskatchewan and the Saskatchewan Trade and Export Partnership (STEP) for their independent operations. *The Tourism Authority Act* charges Tourism Saskatchewan with the responsibility to facilitate the marketing of tourism, the provision of visitor and information services, the education and training of individuals involved in the tourism industry, the planning and development of tourism destination areas, the administration of tourism funding programs (other than capital funding), research and policy development in tourism, public awareness of tourism, and the development and promotion of tourism in Saskatchewan.

STEP is a unique industry-government partnership led by industry and established as a non-profit corporation to maximize commercial success in global ventures. STEP delivers export services using its team of specialists, innovative approaches and worldwide networks. STEP's Board of Directors establishes the priorities for its work. STEP is not an agent of the Province of Saskatchewan, but acts on behalf of the Government of Saskatchewan with respect to certain priorities, set out with the Province for its funding, including trade development and promotion and representation at certain western-provincial and national-level committees.

In addition, SIR provides financial support to the Petroleum Technology Research Centre, the International Test Centre for Carbon Dioxide Capture, and the Prairie Adaptation Research Collaborative at the University of Regina Research Park for their research programs.

OUR VISION

An innovative, prosperous, and sustainable economy supported by full participation and responsible energy and mineral development.

GOAL #1

A positive environment for business

***OBJECTIVE 1** - Increase the adoption of new technologies and best practices*

Performance Measure:

- Research and development and commercialization funding leveraged from non-provincial government sources through the Western Economic Partnership Agreement (WEPA)

***OBJECTIVE 2** - Facilitate business and co-operative growth*

Performance Measures:

- Under development

OBJECTIVE 3 - *Increase employment in priority sectors*

Performance Measures:

- Under development

OBJECTIVE 4 - *Improve the perception of Saskatchewan as a place of opportunity*

Performance Measure:

- Percentage of residents viewing Saskatchewan as a great place in which to live, work, and do business

GOAL #2

Optimal development of energy and mineral resources

OBJECTIVE 1 - *Optimized energy and mineral exploration*

Performance Measures:

- Saskatchewan's share of Canadian non-uranium mineral exploration expenditures
- Saskatchewan's share of Canadian oil, gas, and mineral production relative to other provinces

OBJECTIVE 2 - *Increased oil and gas recovery rates*

Performance Measure:

- Percentage of oil produced from enhanced oil recovery projects

OBJECTIVE 3 - *Optimized benefits from resource development*

Performance Measure:

- Percentage of the oil and gas industry's annual revenues paid to the Crown as royalty

GOAL #3

Responsible use and delivery of energy in Saskatchewan

OBJECTIVE 1 - *Access to reliable and competitively priced energy*

Performance Measure:

- Number of electricity market participants in Saskatchewan

OBJECTIVE 2 *- Balanced response to climate change*

Performance Measures:

- Under development

OBJECTIVE 3 *- Environmental protection and public safety*

Performance Measure:

- Number of oil and gas spills reported per 1,000 wells

2004-05 Financial Overview

2004-05 ESTMATES	*(in thousands of dollars)*
Administration	$ 3,506
Accommodation and Central Services	3,760
Mineral Revenues	2,042
Petroleum and Natural Gas	5,108
Exploration and Geological Services	4,587
Resource and Economic Policy	2,365
Industry Development	8,821
Co-operatives	710
Total Operational Funding	$ 30,899
Investment Programs	$ 15,896
Tourism Saskatchewan	7,165
Saskatchewan Trade and Export Partnership Inc.	2,591
Saskatchewan Opportunities Corporation	0
Total Third Party Grant Funding	$ 25,652
Total Appropriation	$ 56,551
Capital Acquisitions	(50)
Amortization	4,693
Total Expenses	$ 61,194
Full-time Equivalents	387.8

Trends and Issues

The Department closely monitors a number of provincial economic trends. In general, advances in the economic indicators discussed below are viewed as testimony to the Department's efforts to promote and encourage economic development or, by policy or program intervention, mitigate against events that would otherwise impair economic development more severely.

GROSS DOMESTIC PRODUCT

Saskatchewan's real gross domestic product (GDP) dropped in 2001 (-0.6 per cent) and again in 2002 (-1.1 per cent). The average annual real GDP growth rate over the last 10 years has been 1.8 per cent. Saskatchewan's 2002 GDP per capita was $34,573, the third highest in Canada and slightly lower than the Canadian average of $36,827.

Saskatchewan Finance is forecasting economic growth in 2003 of 3.9 per cent and 2.6 per cent in 2004.[1] The Conference Board of Canada forecasts real GDP growth of 5.4 per cent in 2003 (second highest in Canada) and 3.1 per cent in 2004 (second highest in Canada).[2] The 2003 growth is largely due to the recovery in the agriculture sector although crop production is still below average.

EMPLOYMENT

In the year 2000, Saskatchewan had a record employment level of 485,000. In 2001, employment fell by 12,600 jobs (86 per cent of these were in the primary agriculture sector). Employment recovered in 2002 and 2003. Total employment in Saskatchewan was up, on average, by almost 10,000 (or two per cent) in 2002, compared to 2001. In June 2003, seasonally unadjusted employment was over 500,000 for the first time in Saskatchewan's history. The Province experienced 16 months of year-over-year job growth ending in September 2003.

The Conference Board is forecasting 2004 and 2005 employment increases of 7,000 and 9,000 respectively. The Department of Finance is forecasting that employment will increase by approximately 3,800 jobs in 2004 and 5,100 jobs in 2005.

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[1] *Saskatchewan Finance, 2004-05 Budget, March 2004*

[2] *Conference Board of Canada, Provincial Outlook Executive Summary, Winter 2004*

POPULATION

Saskatchewan's July 1, 2003 population declined to about 994,843. Saskatchewan's interprovincial net out-migration peaked at 18,589 in 1989, then decreased to a low of 1,871 in 1996, and then increased to 8,600 in 2001 before decreasing again to 6,934 in 2002. Weakness in the agriculture sector is considered to be one of the main factors behind the somewhat higher out-migration levels.

TRADE

Over two-thirds of Saskatchewan's production of goods and services is exported to other Canadian and international markets. As a result, the national and international economic slowdown experienced in 2001 and 2002 had a significant impact on Saskatchewan exports and the economy. The softening of the United States dollar in 2003 has also decreased the competitiveness of Canadian exports. Total international exports fell by 3.5 per cent, to $11.2 billion in 2002 and by 7.6 per cent, to $10.3 billion in 2003.

World commodity prices for the Province's primary agriculture products, oil, gas and mineral products, as well as exchange rates and trade policies also have a significant impact on exports and the provincial economy.

INVESTMENT

Increased and appropriately targeted investment is necessary in order to maintain and grow a healthy and viable economy in the Province. In 2003, capital investment in Saskatchewan was estimated at $6.6 billion, the seventh consecutive year in which new capital spending exceeded the $6 billion mark. Approximately 77.5 per cent of that investment came from the private sector.

OTHER ECONOMIC INDICATORS

The following indicators showed growth in 2003:

- oil and gas sales and well drilling
- potash production
- manufacturing shipments
- retail sales
- building permits
- housing starts

In addition:

- unemployment levels were the third lowest in Canada in 2002 and in 2003
- social assistance caseload numbers have declined for eight consecutive years
- corporate profits grew 9.8 per cent in 2002

COMPETITIVENESS

Investment decisions are sensitive to access to markets, the availability of a skilled workforce, excellent infrastructure, and a favourable business climate. Thus, continued examination of the tax and royalty systems and the regulatory environment is required to reduce the barriers to investment and growth.

Because the United States is our largest trading partner, the rising Canadian dollar vis-à-vis the American dollar places greater pressure on improving the productivity of our local production facilities in order to compete. The adoption of new technologies and best practices is an essential part of increasing the productivity of our industries.

Changes from 2003-04 Performance Plan

The goals and objectives included in the Department's 2004-05 Performance Plan are unchanged from 2003-04. One performance measure, "Creation of new jobs in the forestry sector and person-years of new employment in the oil and gas sector" has been dropped, due to difficulties with data sources. Industry and Resources is working to develop new measures to track growth in key sectors for next year.

Goals, Objectives, Actions and Measures

The 2004-05 plan sets the stage for a more focused approach to economic development as it guides the Department's attention toward sectors that offer the greatest opportunities for growth and prosperity. The following sectors have been identified for expansion and increased investment: energy, minerals, forest products, agri-value, manufacturing, and advanced technology. By focusing on key sectors, the Department will direct its financial and human resources to achieve growth and development in those areas. The plan includes investment attraction and business development within the key sectors to support growth and jobs.

The strategic plan addresses the Department's responsibility to ensure optimal benefit is realized from the non-renewable resource sectors by ensuring the most effective management of resources and by ensuring a fair share of the revenues are returned to the Province. In addition, the plan builds on the Department's role in ensuring that Saskatchewan is competitive and that the Province encourages and fosters innovative solutions and achievements. Further, the Department will ensure that successes in competitiveness and innovation are promoted across the nation and around the world to attract new investment and businesses to Saskatchewan.

Thus, the 2004-05 plan provides an opportunity for the Department to further clarify its role and communicate its purpose, focus its efforts, streamline its activities for economic development, and describe the results it wants to achieve.

OUR VISION

An innovative, prosperous and sustainable economy supported by full participation and responsible energy and mineral development.

GOAL #1

A positive environment for business

OBJECTIVE 1 - *Increase the adoption of new technologies and best practices*

The adoption of new technologies and best practices is vital to long-term competitiveness and sustainability of Saskatchewan's industries. The Department encourages the development and application of new technologies and the adoption of best practices, by making strategic investments in research, building infrastructure to support the development of new technologies and best practices, and by investing in technology and knowledge transfer initiatives.

Key Actions for 2004-05

- Fund construction and applied research of the Saskatchewan Forest Centre to begin in 2004.
- Invest $1.25 million in research capacity at the Petroleum Technology Research Centre (PTRC) to develop technology transfer capabilities and use the Saskatchewan Petroleum Research Initiative (SPRI) for marketing projects to the oil industry through the PTRC.
- Provide funding to the Saskatchewan Market Assessment and Research Technology (SMART) program to help small businesses use competitive intelligence for commercializing new and innovative technologies.

What are we measuring?	**Where are we starting from?**
Research and development and commercialization funding leveraged from non-provincial government sources through the Western Economic Partnership Agreement (WEPA)	$20.55 million *[to September 2003, latest data available]*

The achievement of this measure is influenced by resource decisions at the provincial and federal levels. The Department entered into a $50 million WEPA with the Government of Canada which includes the objective of commercializing technology within the Province.

OBJECTIVE 2 *- Facilitate business and co-operative growth*

The Department helps to stimulate business growth by providing support, information, path-finding and referral services, by working in partnership with the public and private sectors to deliver a comprehensive and accessible small business support system, and by supporting the Regional Economic Development Authorities (REDAs) in their economic development initiatives.

Key Actions for 2004-05

- Implement changes to the Labour-Sponsored Venture Capital (Invest in Saskatchewan) program that will increase the amount raised per managed fund in Saskatchewan and raise the amount of venture capital available to Saskatchewan businesses.
- Expand the Small Business Loans Association (SBLA) program to promote youth entrepreneurship, tailoring marketing efforts and loan amounts to meet the needs of young entrepreneurs. This will increase the SBLA loan limit from $10,000 to $15,000 and will allow for expanded loan activity to be targeted specifically at young entrepreneurs with solid business plans. Research into potential areas for new business start-ups points to individuals aged 18 to 30, since young people have a greater degree of difficulty in accessing loans from traditional institutions. The current SBLA program is not promoted to young people, nor does it provide the linkages to entrepreneurship training and the 'after-care' required for young, less-experienced entrepreneurs. The expansion of the

SBLA program to target youth will build on and link to existing programming. The SBLA program will provide needed additional loan capacity for youth and access entrepreneurial advice provided by SIR offices. It will also explore with regional colleges potential links between the entrepreneurship training provided at those institutions and the SBLA program. Consistent with this thrust, SIR provided sponsorship dollars in 2003-04 and continues to endorse the Rotary Club and its partners in a scholarship and business start-up program *"Your Future is Here"* which will accept applications for the scholarship and business start-up program until June 2004; the winners will be announced in September 2004.

What are we measuring?

Under development

Where are we starting from?

Under development

OBJECTIVE 3 - *Increase employment in priority sectors*

Employment in Saskatchewan's priority sectors is driven largely by the demand for the goods and services exported from the Province. While there are a wide variety of variables that affect the consumer decision to purchase Saskatchewan made products and services, the Province can play a key role in providing the right climate for growth, providing the necessary supporting infrastructure for businesses to flourish and compete internationally, and promoting the jurisdiction as a place to invest.

Key Actions for 2004-05

Develop key sector projects to increase investment and employment. A range of materials to promote doing business with Saskatchewan in our six key sectors will include:

- Investor's Guide: a guide containing investment information, customized by sector, will be finalized in the first quarter of 2004-05
- An international marketing video in six sector-specific versions will be distributed in 2004-05
- SIR website will be enhanced to include sector videos and investor information
- Feature articles will be completed for each sector to place in international sector publications
- An embassy/consulate contact program will target Canadian trade staff in the U.S. Consulates will receive information customized to profile the key sectors of their region e.g., the Atlanta region will receive information on Saskatchewan biotechnology and information technology

Launch of the Team Saskatchewan Centennial Initiative in September 2004: SIR will continue the Team Saskatchewan initiative launched in June 2003. The Department is co-ordinating missions during fall 2004 and winter 2005. These missions will be undertaken under the umbrella of promoting Saskatchewan during its Centennial year. The following missions are contemplated:

- Minneapolis and Chicago – September or October 2004. Targeted sectors: agri-value (food processing), advanced technology (agricultural biotechnology), mining, and manufacturing (farm equipment)
- Germany – September 2004. Targeted sectors: advanced technology (biotechnology, life sciences, and pharmaceuticals), and mining (uranium). This mission is to coincide with the Agricultural Biotechnology International Conference to be held in Cologne, Germany, September 2004
- China – fall 2004 or winter 2005 (date to be determined). Targeted sectors: agriculture, advanced technology (biotechnology), and mining. This mission would be timed with the 20th anniversary of Saskatchewan's twinning agreement with the Province of Jilin, People's Republic of China
- Montreal, Toronto, and Boston – winter 2005. Targeted sectors: advanced technology (biotechnology, life sciences, pharmaceuticals, potential users of the synchrotron), and agri-value (food processing)

What are we measuring?

Under development

Where are we starting from?

Under development

SIR is analyzing key sectors and developing strategies to achieve growth in the following sectors: energy, minerals, forest products, manufacturing, agri-value, and advanced technology. To build capacity for growth in the key sectors, the Department will consider information on natural resources, review business development or regulatory requirements and liaise with industry and other government departments, Crown corporations and agencies on business, resource and economic development issues. From these efforts, appropriate performance measures will emerge with the next performance plan.

OBJECTIVE 4 *- Improve the perception of Saskatchewan as a place of opportunity*

While Government is not solely responsible for the Province's image and how people (both within Saskatchewan and outside) perceive the opportunities here, Government has a significant role to play in communicating the Province's strengths and building optimism and pride in the Province's capabilities. A positive image does have an economic consequence in that optimism is likely to generate additional in-province investment and business expansion.

Key Actions for 2004-05

- Promote Saskatchewan through out-of-province print, business-oriented television (e.g., Canada NewsWorld) and direct mail campaigns. SIR will discontinue its advertising campaign in national newspapers in favour of sector-specific advertising in targeted sector publications and sector association newsletters. National Saskatchewan products commercials will include executive testimonials run on national business-focused networks, such as ROB-TV, NewsNet and CBC NewsWorld. SIR will place signage promoting Saskatchewan as a good place to live and do business in major Canadian airports. A supplement promoting technological achievements in the Province's six key sectors will be placed in the *Globe and Mail* in May, 2004.

- Continue implementation with a crossover to the Centennial, in Province, of the *Our Future is Wide Open* campaign. In this year, the campaign will focus on achieving a smooth transition to Centennial promotion in-province by mid-fiscal year. Out of Province, the campaign will become less focused on a general national business audience and more targeted on sector-specific business audiences and will expand its reach beyond Canada's border to include key markets in the US, Europe and Asia.

- Implement an Expatriates Strategy. In 2003-04, the Ambassador Program was expanded to include Saskatchewan expatriates. In 2004-05, SIR will implement a recruitment program to attract at least 100 more Saskatchewan ambassadors and 50 more Saskatchewan expatriates to the program. SIR will develop a process for tracking success stories and referrals achieved through the program. In 2004, SIR will lead the following activities for Saskatchewan Opportunities Week:

  - National and local newspaper supplements focused in Saskatchewan's key sectors
  - Coincide with Investment Saskatchewan Inc. hosting the 2004 Investment Future Forum

- Promote the mineral industry through television and print advertising and Saskatchewan Mining Week and advance Saskatchewan as a place for expansion through expanded participation in trade shows, and advertising in magazines.

- Host "Explore our Energy" Conference to explore energy possibilities in Saskatchewan, including new oil and gas technology, and research.

What are we measuring?	**Where are we starting from?**
Percentage of residents viewing Saskatchewan as a great place in which to live, work, and do business	89% *[June 2003; latest data available]*

A positive image has an economic consequence in that optimism is likely to generate additional in-province investment and business expansion. A number of external factors beyond Government's control (climate, commodity and resource prices, and policy decisions within and outside the Province) also influence the perception of the Province. The Department will continue to track this question through omnibus polling, as this measure is of key interest to the Department in an updated provincial economic strategy.

GOAL #2

Optimal development of energy and mineral resources

OBJECTIVE 1 - *Optimized energy and mineral exploration*

Increasing the amount of exploration will lead to optimal development of the Province's resources. However, some of the factors that affect exploration activity (commodity prices, interest rates, and exchange rates) are beyond the Department's influence. The Department can influence exploration by providing geoscientific information on energy and mineral resources and by providing a competitive investment climate.

Key Actions for 2004-05

- Improve geoscientific information to reduce industry's risk.
- Continue the Prospector Incentive Program and the Mineral Exploration Incentive Program.
- Modify the mineral exploration tax credit by implementing amendments to *The Mineral Exploration Tax Credit Regulations*.
- Plan and develop an imaging system for well information files.
- Review and resolve regulatory issues that constrain development.
- Put into operation a royalty holiday for precious and base metals.
- Develop and apply simplified tax and incentive measures for the uranium, potash, and coal sectors.
- Initiate work on a diamond sector royalty structure.

What are we measuring?	**Where are we starting from?**
Saskatchewan's share of Canadian non-uranium mineral exploration expenditures	3.7% *[2003 estimate; latest data available]*

Uranium exploration is not included in the measure as most of Canada's uranium exploration occurs in Saskatchewan. Including it masks Saskatchewan's position relative to the rest of Canada. Saskatchewan's historical average share of mineral exploration is between two and three per cent.

What are we measuring?	Where are we starting from?
Saskatchewan's share of Canadian oil, gas, and mineral production relative to other provinces	10.3% *[2002 data due to time delay in receiving data from NRCan; latest data available]*

Oil, gas, and mining activity in Saskatchewan relative to the rest of the country is based on the value of production. Using the Province's share as the measure, rather than an absolute amount, reduces the influence of fluctuating commodity prices and provides a comparative measure of activity in the Province. This data comes from the Canadian Mineral Yearbook developed by Natural Resources Canada (NRCan).

OBJECTIVE 2 - *Increased oil and gas recovery rates*

The Department can influence the amount of oil and gas recovered primarily by reviewing the royalty and tax structures to ensure they are competitive and by providing information and new technologies. Other factors, such as prices and specific geological conditions within a reservoir, are beyond the control of the Department.

Key Actions for 2004-05

- Review the Enhanced Oil Recovery (EOR) royalty/tax structure.
- Host (in 2005-06) and co-sponsor with North Dakota (in 2004-05) the annual Williston Basin Horizontal Well and Petroleum Conference.

What are we measuring?	Where are we starting from?
Percentage of oil produced from enhanced oil recovery projects	8.5% *[2003 estimate; latest data available]*

The measure reflects the use of technologies to extract more oil from existing oil reservoirs. The Department can influence EOR activity to some extent through its EOR royalty/tax system and can influence R&D efforts through the operation of the PTRC and research incentive programs.

OBJECTIVE 3 *- Optimized benefits from resource development*

The Department administers Crown mineral rights that industry acquires in order to explore and develop provincial resources. Through this function, the Department can ensure optimal development of resources while protecting the Province's interests.

Key Actions for 2004-05

- Promote broader use of electronic data submissions and payment processes by oil companies.
- Deploy enhanced mineral audit capability in risk sectors.
- Ensure Province's ability to meet mandated requirements for ethanol-blended fuels in grants to producers.

What are we measuring?	**Where are we starting from?**
Percentage of the oil and gas industry's annual revenues paid to the Crown as royalty (based on preliminary estimates)	22.7% *[2003; latest data available]*

Saskatchewan's royalty/tax systems are intended to capture a fair share of the revenue from resource development, while encouraging continued investment in and development of resources by ensuring a fair return to producers who extract Crown resources. For the oil and gas industry, an indicator of this balance is the portion of the industry's annual net operating revenue that is paid to the Crown.

GOAL #3

Responsible use and delivery of energy in Saskatchewan

OBJECTIVE 1 *- Access to reliable and competitively priced energy*

The Department does not directly provide natural gas or electrical power or construct or operate transmission and distribution systems to distribute energy in Saskatchewan. Rather its role is to analyze and make recommendations on Saskatchewan's energy policy, including electricity market developments and pipeline regulation.

Key Actions for 2004-05

- Participate in SaskPower's Open Access Transmission Tariff Customer Dialogue group.
- Work with SaskPower and Saskatchewan Environment on environmental and energy policy issues.
- Pursue expanded interprovincial transmission capacity through collaborative studies with federal, provincial and territorial governments.

What are we measuring?	Where are we starting from?
Number of electricity market participants in Saskatchewan	4 *[2003; latest data available]*

The number of independent market participants (and the relative market share of the suppliers to the wholesale market) in the Province is an indirect measure of the competitiveness of electricity policy in Saskatchewan. In 2001, an Open Access Transmission Tariff (OATT) was introduced in Saskatchewan which will enable greater competition in the Province's wholesale electricity market by providing access to SaskPower's transmission grid.

OBJECTIVE 2 *- Balanced response to climate change*

The Department has a role to play in ensuring the Government has a balanced response to climate change issues, which includes working with public and private sector players to develop an action plan, analyze the implications and costs, and by supporting initiatives that are creating solutions to the climate change problem.

Key Actions for 2004-05

- Work with Saskatchewan Environment and other departments, agencies and Crown corporations to develop and implement a provincial climate change plan which deals with priority issues and effectively utilizes climate change funding.
- Support the Prairie Adaptation Research Collaborative (PARC), the International Energy Agency (IEA) Weyburn CO_2 monitoring project, the International Test Centre and Canadian Clean Power Coalition (CCPC).

What are we measuring?	Where are we starting from?
Under development	Under development

OBJECTIVE 3 *- Environmental protection and public safety*

The Department has a role in licensing, inspecting and setting guidelines for the drilling and operation of oil and gas wells, and regulating seismic activity. This regulatory activity puts the Department in daily contact with the industry in providing timely and effective services, and in addressing problems that might arise between the industry and landowners and local governments. The Department shares this responsibility with Saskatchewan Environment and Saskatchewan Labour (Occupational Health and Safety).

Key Actions for 2004-05

- Implement the orphan well and facility program.
- Develop a detailed environmental operating manual for the oil and gas industry.

What are we measuring?	**Where are we starting from?**
Number of oil and gas spills reported per 1,000 wells	18.6 *[first 6 months of 2003, latest data available]*

The number of oil and gas spills per 1,000 wells is an indicator of the industry compliance with operating and environmental regulations. The Department inspects and monitors the operation of oil and gas wells and prepares monthly reports. As wells and facilities age and water production increases, there is greater chance for equipment failures and spills to occur. The tendency would be for the number of spills to trend upward; a status quo target would indicate that the Department's efforts are having an impact.

Where to Obtain Additional Information

This report provides information about our accomplishments and our future plans. If you have any questions or comments, or would like additional copies of the plan, we invite you to call (306) 787-8277.

Or contact:

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Additional resources/websites:
www.wideopenfuture.ca